

Report on the

Bibb County Board of Education

Bibb County, Alabama

October 1, 2015 through September 30, 2016

Filed: June 16, 2017



Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner



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Honorable Ronald L. Jones
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-21, I submit this report on the results of the audit of the Bibb County Board of Education, Bibb County, Alabama, for the period October 1, 2015 through September 30, 2016.

Sworn to and subscribed before me this
the 30 day of May, 2017.

Meredith G. Hamm
Notary Public

Respectfully submitted,

Emily A. Tyler
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Bibb County Board of Education
October 1, 2015 through September 30, 2016**

The Bibb County Board of Education (the “Board”) is governed by a five-member body elected by the citizens of Bibb County. The members and administrative personnel in charge of governance of the Board are listed in Exhibit 13. The Board is the governmental agency that provides general administration and supervision for Bibb County public schools, preschool through high school.

This report presents the results of an audit the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Board complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States as well as the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5-14.

An unmodified opinion was issued on the financial statements, which means that the Board’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2016.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state and local laws and regulations.

The following officials and administrative personnel were invited to an exit conference to discuss the results of the audit: Superintendent: Terry McGee; Chief School Financial Officer: Bradley Colburn; and Board Members: Mike Oakley, Mike McMillan, Morris Moody, Billie Dailey, and Elaine Stoudemire Jones. The following individuals attended the exit conference, held at the Board’s office: Superintendent: Terry McGee; Chief School Financial Officer: Bradley Colburn; and representatives of the Department of Examiners of Public Accounts: Emily Tyler, Audit Manager; and Legiah Taylor, Examiner.

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Independent Auditor's Report

Independent Auditor's Report

To: Members of the Bibb County Board of Education, Superintendent and Chief School Financial Officer

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bibb County Board of Education, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Bibb County Board of Education's basic financial statements, as listed in the table of contents as Exhibits 1 through 7.

Management's Responsibility for the Financial Statements

The management of the Bibb County Board of Education is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bibb County Board of Education's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bibb County Board of Education's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bibb County Board of Education, as of September 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying Management's Discussion and Analysis (MD&A), the Schedule of the Employer's Proportionate Share of the Net Pension Liability (Exhibit 8), the Schedule of the Employer's Contributions (Exhibit 9), and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 10 and 11), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

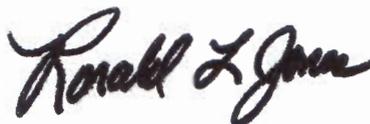
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bibb County Board of Education's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, (Exhibit 12), as required by Title 2 U. S. **Code of Federal Regulations** Part 200, **Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)**, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2017, on our consideration of the Bibb County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bibb County Board of Education's internal control over financial reporting and compliance.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

May 30, 2017

*Management's Discussion and Analysis
(Required Supplementary Information)*

BIBB COUNTY BOARD OF EDUCATION
Management Discussion and Analysis (MD&A)
For Year Ended September 30, 2016

Introduction

The Management's Discussion and Analysis (MD&A) of Bibb County Board of Education's financial performance provides an overall review of the Board's financial activities for the fiscal year ended September 30, 2016. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the notes to the financial statements and the financial statements to enhance their understanding of the Bibb County Board of Education's financial performance.

The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the model contained in GASB Statement Number 34, and these comparisons are included.

The Board and its Superintendent have the responsibility for operating, maintaining and servicing the needs of ten school sites including two high schools, two middle schools, four elementary schools, one career tech center and one alternative school. All of our schools are accredited by the Southern Association of Colleges and Schools. In addition, the Board operates a Central Office and a Student Transportation Facility.

Financial Highlights – Significant Items to Note

- ◆ Bibb County has the minimum 10 mill ad valorem tax required to participate in the State Foundation Program. Revenues from this tax were approximately 7% below 2015 levels.
- ◆ The Board of Education receives a one percent sales tax for normal operations and a special one percent sales tax specified for non-personnel uses, with a priority toward retirement of debt service, maintenance and technology. The Board had approximately a 2% increase from these sales taxes when compared to fiscal year 2015.

Using the Financial Statements – An Overview for the User

As a result of the implementation of the GASB 34 reporting model, the financial section consists of five parts – management's discussion and analysis (this section), the independent auditors' report, the basic financial statements, required supplementary information, and other supplementary information. The Board's basic financial statements are comprised of three components 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-Wide Financial Statements – The focus of these statements is to provide readers with a broad overview of the Board’s finances as a whole instead of on an individual fund basis, in a manner similar to a private-sector business, indicating both long-term and short-term information about the Board’s overall financial status. It is important to note that all of the activities of the Board reported in the government-wide financial statements are classified as governmental activities. These activities include the following:

- ◆ **Instruction** includes teacher salaries and benefits, teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials, supplies and equipment.
- ◆ **Instructional Support** includes salaries and benefits for school principals, assistant principals, librarians, counselors, school secretaries, school bookkeepers, speech therapists, and school nurses, and professional development expenses.
- ◆ **Operation and Maintenance** includes utilities, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.
- ◆ **Auxiliary Services** includes student transportation expenses, such as bus driver salaries and benefits, mechanics, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses and bus shops, and fleet insurance, and food service expenses such as lunchroom managers, cooks cashiers and servers’ salaries and benefits as well as donated and purchased food, food preparation and service supplies, kitchen and lunchroom equipment and depreciation of food service equipment and facilities.
- ◆ **General Administration and Central Support** includes salaries and benefits for the superintendent, assistants, clerical and financial staff, and other personnel that provide system-wide support for the schools. Also included are legal expenses, liability insurance, training for board members and general administrative staff, printing costs, and depreciation of central office equipment.
- ◆ **Interest and Fiscal Charges** includes interest, but not principal payments, on long-term debt issues and other expenses related to the issuance and continuance of debt issues.
- ◆ **Other** includes the salaries and benefits for adult and continuing education teachers, preschool teachers and aides, extended day personnel, and community education instructors. Also included are the materials, supplies, equipment, related depreciation, and other expenses for operating programs outside of those for educating students in the kindergarten through 12th grade instructional programs.

Government-wide Statements report the capitalization of capital assets and depreciation of all exhaustible capital assets and the outstanding balances of long-term debt and other obligations, which has not been the case in the past. These statements report all assets, deferred outflows of resources, liabilities, and deferred inflows of resources perpetuated by these activities using the accrual basis of accounting. The accrual basis takes into account all of the Board's current year revenues and expenses regardless of when received or paid. This approach moves the financial reporting method for governmental entities closer to the financial reporting methods used in the private sector. The following government-wide financial statements report on all of the governmental activities of the Board as a whole.

The Statement of Net Position is most closely related to a balance sheet. It presents information on all of the Board's assets (what it owns), deferred outflows of resources, liabilities (what it owes), and deferred inflows of resources, with the difference reported as net position. The net position reported in this statement represents the accumulation of changes in net position for the current fiscal year and all fiscal years in the past combined. Over time, the increases or decreases in net position reported in this statement may serve as a useful indicator of whether the financial position of the school board is improving or deteriorating.

The Statement of Activities is most closely related to an income statement. It presents information showing how the Board's net position changed during the current fiscal year only. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. This statement shows gross expenses and offsetting program revenues to arrive at net cost information for each major expense function or activity of the Board. By showing the change in net position for the year, the reader may be able to determine whether the Board's financial position has improved or deteriorated over the course of the current fiscal year. The change in net position may be financial or non-financial in nature. Non-financial factors which may have an impact on the Board's financial condition include: age and condition of facilities, mandated educational programs for which little or no funding is provided, and increases or decreases in funding from state and federal governments, to name a few.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The reporting model requires the School Board to present financial statements on a fund basis. All of the funds of the School Board can be classified into two categories: governmental funds and fiduciary funds.

Governmental Funds – Governmental fund financial statements account for basically the same governmental activities reported in the *government-wide financial statements*. Until now, fund information has been reported in the aggregate by type of fund. As required under the reporting model, the fund financial statements presented herein displayed information on each of the Board's most important governmental funds or major funds. This is required in order to better assess the School Board's accountability for significant governmental programs or certain dedicated revenue. The Board's major funds are the General Fund, Special Revenue Fund, and Debt Service Fund.

The Fund Financial Statements are measured on the modified-accrual basis of accounting where revenues and expenditures are recorded when they become measurable and available. As a result, the fund financial statements focus more on the near term use and availability of spendable resources. The information provided in these statements is useful in determining the Board’s immediate financial needs. This is in contrast to the accrual-based government-wide financial statements, which focus more on overall long-term availability of spendable resources. The relationship between governmental activities reported in the government-wide financial statements and the governmental funds reported in the fund financial statements are reconciled on Exhibit #4 and Exhibit #6 of these financial statements.

Notes to the Basic Financial Statements – The notes to the basic financial statements provide additional information that is essential for the statements to fairly represent the Board’s financial position, and its operations. The notes contain important information that is not part of the basic financial statements. However, the notes are an integral part of the statements, not an appendage to them. The notes to the basic financial statements begin following the financial statements.

Required Supplemental Information – After the presentation of the basic financial statements, the reporting model requires additional required supplemental information to be presented following the notes to the basic financial statements. The required supplementary information in Exhibits 8 – 9 provides information related to the Board’s pension liability. The required supplementary information in Exhibits 10 – 11 provides a comparison of the original adopted budget with the final amended budgets of the Board’s General Fund and the Special Revenue Fund that is then further compared to the actual operating results for the fiscal year. The comparison of this data allows users to assess management’s ability to project and plan for its operations throughout the year.

Analysis of the School Board’s Overall Financial Position

***Summary of Statement of Net Position
As of September 30, 2016***

	Governmental Activities 2016	Governmental Activities 2015
Assets		
Current Assets	\$ 9,267,700.67	\$ 9,553,294.52
Capital Assets, Net	30,483,265.31	31,334,497.27
Total	<u>39,750,965.98</u>	<u>40,887,791.79</u>
Deferred Outflows of Resources	4,269,371.63	1,937,512.57
Liabilities		
Current	2,633,705.86	2,559,767.43
Long-Term	43,806,725.90	40,741,142.78
Total	<u>46,440,431.76</u>	<u>43,300,910.21</u>
Deferred Inflows of Resources	1,781,278.67	3,445,163.33
Net Position		
Net Investment in Capital Assets	14,025,374.67	13,739,663.35
Restricted	2,853,238.57	2,538,855.75
Unrestricted	(21,079,986.06)	(20,199,288.28)
Total Net Position	<u>\$ (4,201,372.82)</u>	<u>\$ (3,920,769.18)</u>

An examination of net position may serve as an indicator of a Board's financial position. On September 30, 2016, the Board's liabilities and deferred inflows exceeded assets and deferred outflows by approximately 4.2 million. The negative Net Position is the result of GASB 34 and GASB 68 requirements for the accounting of capital assets and the Net Pension Liability. Of total assets, 77% reflects the Board's investment in capital assets (e.g. land, buildings, improvements, vehicles, furniture and equipment) less accumulated depreciation. These assets are not available for future expenditures since they will not be sold. Of total liabilities, the Net Pension Liability reflects approximately \$27.1 million of the total Long-Term Liability number. The Net Pension Liability figure was added to the Summary Statement of Net Position in 2015 as part of the GASB 68 guidelines and has a significant negative effect on Total Net Position. Restricted net position consists of Capital Projects, Debt Service and Other Purposes, while unrestricted net position can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirements.

The Alabama School Fiscal Accountability Act, ACT Number 2006-196, became effective June 1, 2006, and requires in Section 16-13A-9 Reserve Funds: A local board of education shall develop a plan to establish and maintain a minimum reserve fund equal to one month's operating expenses. Bibb County Board of Education Policy DCF – Reserve Funds meets the requirement to develop a plan. The unrestricted reserve from above differs from the balance used to determine our compliance with this requirement. The Alabama State Department of Education uses the balance from the unadjusted financial statements for this calculation which results in a significantly different balance.

The unaudited one month operating expenditures balance in the General Fund was \$2,105,604.25. The unaudited ending fund balance in the General Fund was \$3,923,497.93, representing a 1.86 months operating balance for the year ended September 30, 2016.

The net position from the exhibit above is a result of the accruals required by generally accepted accounting principles (GAAP), including accrued salaries payable of \$2.3 million. This significant liability results from our payment of a high percentage of our employees one month after their salary is earned and the Net Pension Liability of \$27.1 million. Interim fund financial statements posted on the schools system and state web sites do not include the salary accruals or the Net Pension Liability required by GAAP.

The results of the fiscal year's operations are reported in detail in the Statement of Activities in Exhibit 2. The following table summarizes the Activity for the last two fiscal years.

***Summary of Statement of Activities
For the Year Ended September 30, 2016***

	Governmental Activities 2016	Governmental Activities 2015
Revenues		
Program Revenues		
Charges for Services	\$ 3,388,610.07	\$ 3,158,177.03
Operating Grants and Contributions	23,111,584.03	22,883,149.91
Capital Grants and Contributions	1,240,494.00	1,270,047.44
General Revenues		
Taxes:		
Property Taxes for General Purposes	1,559,623.54	1,461,885.44
General Sales Tax	2,458,052.73	2,414,569.19
Other Taxes	16,146.40	15,876.73
Grants and Contributions Not Restricted for Specific Purposes	134,823.48	26,204.63
Investment Earnings	32,907.62	28,701.60
Gain on Disposition of Capital Assets	93,807.91	
Miscellaneous	583,629.09	667,697.35
Total Revenues	32,619,678.87	31,926,309.32
Expenses		
Instruction	16,929,156.26	16,502,496.32
Instructional Support	5,179,828.87	5,116,529.88
Operations and Maintenance	2,237,741.67	2,268,343.38
Auxiliary Services:		
Student Transportation	2,301,903.48	2,241,159.44
Food Services	2,460,821.88	2,351,880.50
General Administration and Central Support	1,789,190.69	1,430,012.60
Interest and Fiscal Charges	540,162.84	578,296.45
Other	1,461,476.82	1,118,157.05
Total Expenses	32,900,282.51	31,606,875.62
Net Position – Beginning of Year	(3,920,769.18)	(4,240,202.88)
Changes in Net Position	(280,603.64)	319,433.70
Net Position – End of Year	\$ (4,201,372.82)	\$ (3,920,769.18)

Program revenues, specifically operating grants and contributions, are the largest component of total revenues (85%).

- ◆ Operating grants and contributions contribute 83% of program revenues and 71% of total revenues. The major sources of revenue in this category are State Foundation program funds, state transportation operating funds, and state and federal funds restricted for specific programs.
- ◆ Capital grants and contributions include state capital outlay funds and state funds to replace buses.
- ◆ Charges for services include federal reimbursement for meals, student meal purchases, and local school revenues.

- ◆ General revenues, primarily property taxes and sales taxes, provide \$4,878,990.77 to pay expenses not covered by program revenues. However, from this amount we are required to contribute \$1,425,430.00 to the foundation program, leaving only the balance that can be used to cover expenses not covered by program revenues.
- ◆ Instructional services expenses, primarily salaries and benefits for classroom teachers, are the largest expense function of the Board (51%).

Capital Assets and Debt Administration

At September 30, 2016, the Board's had approximately \$30,483,265.31 invested in capital assets including land, buildings, equipment and vehicles costing \$5,000 or more. This amount is net of accumulated depreciation to date. Increases during the year represent additions to those categories, while decreases represent adjustments of assets during the year and depreciation of depreciable assets for the year. Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

***Capital Assets
As of September 30, 2016***

	Governmental Activities 2016	Governmental Activities 2015
Land and Land Improvements	\$ 1,063,518.37	\$ 1,033,072.82
Construction in Progress	355,470.79	3,000.00
Buildings	31,432,781.42	31,618,563.80
Building Improvements	9,445,458.79	9,443,062.06
Equipment and Furniture	2,210,227.04	2,109,796.86
Vehicles	4,727,331.14	5,449,580.68
Accumulated Depreciation	(18,751,522.24)	(18,322,578.95)
Total Capital Assets, Net	<u>\$ 30,483,265.31</u>	<u>\$ 31,334,497.27</u>

Long-Term Debt
As of September 30, 2016

At year-end the Board had \$43,806,725.90 in long-term debt payable which included the categories of Bonds and Warrants Payable, Net Pension Liability, Unamortized Discounts and Premiums, and Compensated Absences.

	2016	2015
Bonds/Warrants Payable	\$ 9,895,267.67	\$10,678,391.12
2007 Funding Agreement	6,575,000.00	6,925,000.00
Net Pension Liability	27,149,000.00	22,971,000.00
Unamortized Discount/Premium	4,543.10	14,707.99
Compensated Absences	182,915.13	152,043.67
Total Long-Term Debt	<u>\$43,806,725.90</u>	<u>\$40,741,142.78</u>

Further information on long-term debt is located in the Notes to the Financial Statements.

Financial Analysis of School Board Funds

As noted earlier, the Board uses fund accounting to control and manage resources in order to ensure compliance with finance-related legal requirements. Using funds to account for resources for particular purposes helps the reader to determine whether the Board is being accountable for the resources provided by taxpayers and other entities, and it may also help to provide more insight into the Board's overall financial health. The following analysis of the Board's funds should be read in reference to the Fund Financial Statements.

Governmental Funds – The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financial requirements. The relationship between the fund financial statements and the government-wide financial statements are reconciled in Exhibits 4 and 6. At the end of the fiscal year, the Board's governmental funds reported combined ending fund balances of \$5,474,883.77.

- ◆ ***General Fund*** – The General Fund is the primary operating fund of the Board. Generally Accepted Accounting Principles (GAAP) requires fund financial statements to be presented using the modified accrual or budgetary basis of accounting. In order for the Board's financial transactions to be presented in accordance with GAAP, certain adjustments were necessary. The primary reasons for the differences are the accrual for salaries and benefits to be paid out in the subsequent fiscal year and the deferral of motor vehicle ad valorem tax revenue received but unrecognizable until the subsequent fiscal year. These adjustments had a negative impact on the Board's fund balance that would not have been present using the budgetary basis of accounting. The decrease in the General Fund balance was caused primarily from an increase in salary expenditures, caused from an insurance increase and state mandated pay raise. The Board must continue to follow a strict spending plan in order to meet the one-month operating reserve requirement.

- ◆ ***Special Revenue Fund*** – This fund is used to account for and report the proceeds of revenue sources that are restricted or committed for specific purposes other than debt service or capital projects. Some of the significant funding sources include federal funds that are received for Special Education, Title I, and the Child Nutrition Program as well as other smaller grants. The fund balance of the Special Revenue Fund remained level.
- ◆ ***Debt Service Fund*** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and the accumulation of resources for principal and interest payments maturing in future years. The fund balance remained level.

Budgetary Highlights

On or before October 1 of each year, the Board is mandated by state law to prepare and submit to the State Superintendent of Education the annual budget adopted by the Board. The original 2016 fiscal year budget was based on a conservative approach that reflected current revenues and expenditures. The operating budget was amended twice during the fiscal year. For purposes of the budgetary analysis, only the General Fund of the Board is discussed in accordance with the GASB 34 reporting model.

- ◆ **General Fund** – The General Fund of the Board was amended to reflect an approved pay raise and increased local funds anticipated as a decrease in estimated expenditures.

Overall, the final amended budget is reflective of the actual operating activity for the year.

Economic Factors and Next Year's Budget

The following are currently known economic factors for Bibb County going into the 2016-2017 fiscal year.

- ◆ The original budget prepared for FY2017 plans for a slight increase in local sales taxes and level ad valorem taxes available for use above the required 10 mill match to the Foundation Program.

- ◆ **Medical and Retirement Costs:** Employee health insurance is provided through the Public Education Employees' Health Insurance Program (PEEHIP). PEEHIP employer costs will increase to \$800 per month in FY2017. Also, employer contributions to the Teachers Retirement System (TRS) will be 12.01% for Tier I employees and 10.82% for Tier II employees in FY 2017. The following table shows a brief history of the Board's cost of these benefits.

For Fiscal Year Ended	Tier 1 Retirement Percentage	Tier 2 Retirement Percentage	Insurance per Employee Per Month
2005	7.03%		583.00
2006	8.17%		668.00
2007	9.36%		717.00
2008	11.75%		775.00
2009	12.07%		752.00
2010	12.51%		752.00
2011	12.51%		752.00
2012	10.00%		752.00
2013	10.08%		714.00
2014	11.71%		714.00
2015	11.71%	11.08%	780.00
2016	11.94%	10.84%	780.00
2017	12.01%	10.82%	800.00

(*) The above table represents the Board's cost.

Contacting the School Board's Financial Management

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the School Board's finances and to show the School Board's accountability for the money it receives. If you have any questions about this report or need additional financial information contact our Chief Financial School Officer during regular work hours Monday – Friday; 8:00 a.m. to 4:00 p.m. central time. Mrs. Laura Madison madisonl@bibbed.org Bibb County Board of Education 721 Walnut Street Centreville, AL 35042 Phone: (205) 926-9881 Fax: (205) 926-3962.

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Basic Financial Statements

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Statement of Net Position
September 30, 2016

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 6,617,393.06
Ad Valorem Property Taxes Receivable	1,135,000.31
Intergovernmental Receivables	1,358,726.28
Inventories	156,581.02
Capital Assets (Note 4):	
Nondepreciable	1,418,989.16
Depreciable, Net	29,064,276.15
Total Assets	<u>39,750,965.98</u>
<u>Deferred Outflows of Resources</u>	
Loss on Refunding of Debt	16,920.13
Employer Pension Contribution	1,957,451.50
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	2,295,000.00
Total Deferred Outflows of Resources	<u>4,269,371.63</u>
<u>Liabilities</u>	
Accounts Payable	147,871.19
Unearned Revenue	20,964.05
Salaries and Benefits Payable	2,332,702.99
Accrued Interest Payable	132,167.63
Long-Term Liabilities:	
Portion Due or Payable Within One Year	1,425,040.51
Portion Due or Payable After One Year	42,381,685.39
Total Liabilities	<u>46,440,431.76</u>
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue - Property Taxes	1,135,000.31
Revenue Received in Advance - Motor Vehicle Taxes	156,278.36
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	490,000.00
Total Deferred Inflows of Resources	<u>1,781,278.67</u>
<u>Net Position</u>	
Net Investment in Capital Assets	14,025,374.67
Restricted for:	
Debt Service	1,478,545.58
Capital Projects	601,263.94
Other Purposes	773,429.05
Unrestricted	<u>(21,079,986.06)</u>
Total Net Position	<u>\$ (4,201,372.82)</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Activities
For the Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 16,929,156.26	\$ 440,441.35	\$ 14,604,754.37
Instructional Support	5,179,828.87	411,090.79	4,355,823.53
Operation and Maintenance	2,237,741.67	203,908.20	658,522.71
Auxiliary Services:			
Student Transportation	2,301,903.48	61,195.06	1,841,756.96
Food Service	2,460,821.88	1,887,678.70	123,373.70
General Administrative	1,789,190.69	5,295.20	721,252.32
Interest and Fiscal Charges	540,162.84		
Other Expenses	1,461,476.82	379,000.77	806,100.44
Total Governmental Activities	<u>\$ 32,900,282.51</u>	<u>\$ 3,388,610.07</u>	<u>\$ 23,111,584.03</u>

General Revenues:

Taxes:

 Property Taxes for General Purposes

 Sales Tax

 Other Taxes

Grants and Contributions Not Restricted
for Specific Programs

Investment Earnings

Gain on Disposition of Capital Assets

Miscellaneous

 Total General Revenues

Changes in Net Position

Net Position - Beginning of Year

Net Position - End of Year

The accompanying Notes to the Financial Statements are an integral part of this statement.

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position Total Governmental Activities</u>
\$ 848,822.51	\$ (1,035,138.03)
78,935.49	(412,914.55)
312,736.00	(1,296,375.27)
	(86,215.46)
	(449,769.48)
	(1,062,643.17)
	(540,162.84)
	(276,375.61)
<u>\$ 1,240,494.00</u>	<u>(5,159,594.41)</u>

1,559,623.54
2,458,052.73
16,146.40
134,823.48
32,907.62
93,807.91
583,629.09
<u>4,878,990.77</u>
(280,603.64)
<u>(3,920,769.18)</u>
<u>\$ (4,201,372.82)</u>

Balance Sheet
Governmental Funds
September 30, 2016

	General Fund	Special Revenue Fund
<u>Assets</u>		
Cash and Cash Equivalents	\$ 2,815,136.68	\$ 2,187,564.81
Ad Valorem Property Taxes Receivable	1,135,000.31	
Intergovernmental Receivables	71,333.44	479,432.26
Interfund Receivables	525,504.03	5,235.02
Inventories	62,181.47	94,399.55
Total Assets	<u>4,609,155.93</u>	<u>2,766,631.64</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Liabilities</u>		
Accounts Payable	114,101.95	33,769.24
Interfund Payables	5,235.02	314,829.03
Unearned Revenues		20,964.05
Salaries and Benefits Payable	2,209,984.10	122,718.89
Total Liabilities	<u>2,329,321.07</u>	<u>492,281.21</u>
<u>Deferred Inflows of Resources</u>		
Unavailable Revenue - Property Taxes	1,135,000.31	
Revenue Received in Advance - Motor Vehicle Taxes	156,278.36	
Total Deferred Inflows of Resources	<u>1,291,278.67</u>	
<u>Fund Balances</u>		
Nonspendable	62,181.47	94,399.55
Restricted for:		
Debt Service		
Capital Projects		
Child Nutrition		610,749.10
Other Purposes	6,098.93	
Assigned for:		
Local Schools		1,569,201.78
Unassigned	920,275.79	
Total Fund Balances	<u>988,556.19</u>	<u>2,274,350.43</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,609,155.93</u>	<u>\$ 2,766,631.64</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,013,427.63	\$ 601,263.94	\$ 6,617,393.06
		1,135,000.31
597,285.58	210,675.00	1,358,726.28
		530,739.05
		156,581.02
<u>1,610,713.21</u>	<u>811,938.94</u>	<u>9,798,439.72</u>
		147,871.19
	210,675.00	530,739.05
		20,964.05
		2,332,702.99
	<u>210,675.00</u>	<u>3,032,277.28</u>
		1,135,000.31
		156,278.36
		<u>1,291,278.67</u>
		156,581.02
1,610,713.21		1,610,713.21
	601,263.94	601,263.94
		610,749.10
		6,098.93
		1,569,201.78
		920,275.79
<u>1,610,713.21</u>	<u>601,263.94</u>	<u>5,474,883.77</u>
<u>\$ 1,610,713.21</u>	<u>\$ 811,938.94</u>	<u>\$ 9,798,439.72</u>

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***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2016***

Total Fund Balances - Governmental Funds \$ 5,474,883.77

Amounts reported for governmental activities in the Statement of Net Position
are different because:

Capital assets used in governmental activities are not financial resources and, therefore,
are not reported as assets in governmental funds.

The Cost of Capital Assets is	\$ 49,234,787.55	
Accumulated Depreciation is	<u>(18,751,522.24)</u>	30,483,265.31

Losses on refunding of debt are reported as deferred outflows of resources and are not
available to pay for current-period expenditures and, therefore, are deferred on
the Statement of Net Position. 16,920.13

Deferred outflows and inflows of resources related to pensions are applicable to future
periods and, therefore, are not reported in the governmental funds. 3,762,451.50

Long-term liabilities are not due and payable in the current period and, therefore,
are not reported as liabilities in the funds.

Current Portion of Long-Term Debt	\$ 1,425,040.51	
Noncurrent Portion of Long-Term Debt	<u>42,381,685.39</u>	(43,806,725.90)

Interest on long-term debt is not accrued in the funds but rather is recognized as an
expenditure when due.

Accrued Interest Payable		<u>(132,167.63)</u>
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Total Net Position - Governmental Activities		<u><u>\$ (4,201,372.82)</u></u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2016

	General Fund	Special Revenue Fund
<u>Revenues</u>		
State	\$ 20,603,535.84	\$ 1,500.00
Federal	284,219.91	3,429,578.90
Local	3,146,120.58	2,331,305.33
Other	34,254.69	129,063.40
Total Revenues	24,068,131.02	5,891,447.63
<u>Expenditures</u>		
Current:		
Instruction	14,239,020.46	1,687,603.21
Instructional Support	4,262,049.99	882,890.64
Operation and Maintenance	1,987,040.35	203,389.56
Auxiliary Services:		
Student Transportation	1,907,708.18	30,828.87
Food Service		2,558,790.35
General Administrative	1,329,972.01	289,898.45
Other	777,019.97	610,414.17
Capital Outlay	13,215.96	130,135.35
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Total Expenditures	24,516,026.92	6,393,950.60
Excess (Deficiency) of Revenues Over Expenditures	(447,895.90)	(502,502.97)
<u>Other Financing Sources (Uses)</u>		
Indirect Cost	229,399.17	
Long-Term Debt Issued		
Premiums on Long-Term Debt Issued		
Transfers In	444,797.74	626,201.04
Other Financing Sources	6,052.38	1,094.55
Sale of Capital Assets	56,671.00	
Transfers Out	(729,972.20)	(139,815.93)
Payments to Refunding Escrow Agent		
Total Other Financing Sources (Uses)	6,948.09	487,479.66
Net Changes in Fund Balances	(440,947.81)	(15,023.31)
Fund Balances - Beginning of Year	1,429,504.00	2,289,373.74
Fund Balances - End of Year	\$ 988,556.19	\$ 2,274,350.43

The accompanying Notes to the Financial Statements are an integral part of this statement.

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 562,751.01	\$ 675,322.99	\$ 21,843,109.84
	210,675.00	3,924,473.81
1,110,396.38		6,587,822.29
		163,318.09
<u>1,673,147.39</u>	<u>885,997.99</u>	<u>32,518,724.03</u>
		15,926,623.67
		5,144,940.63
	15,528.69	2,205,958.60
		1,938,537.05
		2,558,790.35
160,089.96	2,112.50	1,782,072.92
80,589.89		1,468,024.03
	385,313.07	528,664.38
510,499.71	372,623.74	883,123.45
430,885.87	43,883.42	474,769.29
<u>1,182,065.43</u>	<u>819,461.42</u>	<u>32,911,504.37</u>
<u>491,081.96</u>	<u>66,536.57</u>	<u>(392,780.34)</u>
		229,399.17
6,675,000.00		6,675,000.00
4,906.55		4,906.55
247,465.86	103,771.16	1,422,235.80
		7,146.93
	44,129.00	100,800.00
(149,386.78)	(403,060.89)	(1,422,235.80)
(7,055,443.42)		(7,055,443.42)
<u>(277,457.79)</u>	<u>(255,160.73)</u>	<u>(38,190.77)</u>
213,624.17	(188,624.16)	(430,971.11)
1,397,089.04	789,888.10	5,905,854.88
<u>\$ 1,610,713.21</u>	<u>\$ 601,263.94</u>	<u>\$ 5,474,883.77</u>

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2016

Net Changes in Fund Balances - Total Governmental Funds \$ (430,971.11)

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period.

Capital Outlays	\$ 528,664.38	
Depreciation Expense	<u>(1,372,904.25)</u>	(844,239.87)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 883,123.45

Payments to refunding escrow agent are recorded as expenditures or other financing uses in the governmental funds, but reduce long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities. 7,055,443.42

Proceeds from the issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities. (6,675,000.00)

Premiums on debt issuance are reported as other financing sources in the governmental funds, but are amortized in the Statement of Activities. (4,906.55)

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balances by this amount.

Proceeds from Sale of Capital Assets	\$ (100,800.00)	
Gain on Disposition of Capital Assets	93,807.91	
Loss on Disposition of Capital Assets	<u> </u>	(6,992.09)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued Interest Payable, Current Year Increase/(Decrease)	\$	(56,323.49)	
Compensated Absences, Current Year Increase/(Decrease) in Noncurrent Portion		30,871.46	
Amortization of Debt Discounts/Premiums/Gain or Loss on Refunding		121,717.04	
Pension Expense, Current Year Increase/Decrease		<u>160,795.88</u>	
			<u>(257,060.89)</u>

Change in Net Position of Governmental Activities \$ (280,603.64)

***Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2016***

	Private-Purpose Trust Funds
<u>Additions</u>	
Earnings on Investments	\$
Total Additions	<u> </u>
<u>Deductions</u>	
Other Uses	11,340.78
Total Deductions	<u>11,340.78</u>
Changes in Net Position	(11,340.78)
Net Position - Beginning of Year	<u>11,340.78</u>
Net Position - End of Year	<u><u>\$</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

For the Year Ended September 30, 2016

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Bibb County Board of Education (the “Board”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

A. Reporting Entity

The Board is governed by a separately elected board composed of five members elected by the qualified electors of the County. The Board is responsible for the general administration and supervision of the public schools for the educational interests of the County.

Generally accepted accounting principles (GAAP) require that the financial reporting entity consist of the primary government and its component units. Accordingly, the accompanying financial statements present the Board (a primary government).

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the application of these criteria, there are no component units which should be included as part of the financial reporting entity of the Board.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Board. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

Notes to the Financial Statements

For the Year Ended September 30, 2016

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Board does not allocate indirect expenses to the various functions. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Board's funds, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds in the Other Governmental Funds' column.

The Board reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund. The Board primarily receives revenues from the Education Trust Fund (ETF) and local taxes. Amounts appropriated from the ETF were allocated to the school board on a formula basis.
- ◆ **Special Revenue Fund** – This fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Various federal and local funding sources are included in this fund. Some significant federal funding sources include federal funds that are received for Special Education, Title I and the Child Nutrition Program in addition to various smaller grants, which are required to be spent for the purposes of the applicable federal grants. Also included in this fund are the public and non-public funds received by the local schools which are generally not considered restricted or committed.
- ◆ **Debt Service Fund** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and the accumulation of resources for principal and interest payments maturing in future years.

Notes to the Financial Statements

For the Year Ended September 30, 2016

The Board reports the following fund type in the Other Governmental Funds' column:

Governmental Fund Type

- ◆ **Capital Projects Fund** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

The Board reports the following fiduciary fund type:

Fiduciary Fund Type

- ◆ **Private-Purpose Trust Fund** – This fund is used to report all trust agreements under which principal and income benefit individuals, private organizations, or other governments.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

Notes to the Financial Statements
For the Year Ended September 30, 2016

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances

1. Deposits and Investments

Cash and cash equivalents includes cash on hand and demand deposits.

Statutes authorize the Board to invest in obligations of the U. S. Treasury, obligations of any state of the United States, general obligations of any Alabama county or city board of education secured by the pledge of the three-mill school tax and certificates of deposit. The Board reported cash invested with fiscal agents as cash equivalents. These amounts are reported at fair value.

2. Receivables

Sales tax receivables are based on the amounts collected within 60 days after year-end.

Millage rates for property taxes are levied at the first regular meeting of the County Commission in February of each year. Property is assessed for taxation as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations.

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects.

3. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Notes to the Financial Statements
For the Year Ended September 30, 2016

4. Restricted Assets

Certain funds received from the State Department of Education for capital projects and improvements, as well as certain resources set aside for repayment of debt, are considered restricted assets because they are maintained separately and their use is limited. The Public School Capital Projects, Fleet Renewal, and Bonds and Warrants funding sources are used to report proceeds that are restricted for use in various construction projects and the purchase of school buses. The Debt Service Fund is used to report resources set aside to pay the principal and interest on debt as it becomes due.

5. Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed.

Depreciation on all assets is provided on the straight-line basis over the assets estimated useful life. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Land and Land Improvements	\$ 1	N/A
Buildings and Improvements	\$50,000	40 years
Equipment and Furniture	\$ 5,000	5 – 20 years
Vehicles	\$ 5,000	5 – 10 years
Equipment Under Capital Lease	\$ 5,000	5 – 10 years

6. Deferred Outflows of Resources

Deferred outflows of resources are reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

Notes to the Financial Statements

For the Year Ended September 30, 2016

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Debt premiums and discounts are deferred and amortized over the life of the debt. Long-term debt payable is reported net of the applicable premiums and discounts. Debt issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued and premiums are reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

8. Compensated Absences

The Board's vacation leave policy consists of the following: All administrative and supervisory personnel who are employed for twelve months are entitled to earn ten days' vacation leave each year. Twenty unused leave days may be carried over to the next year.

9. Deferred Inflows of Resources

Deferred inflows of resources are reported in the government-wide and governmental fund financial statements. Deferred inflows of resources are defined as an acquisition of net position/fund balances by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund balances, similar to liabilities.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Teachers' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

Notes to the Financial Statements

For the Year Ended September 30, 2016

11. Net Position/Fund Balances

Net position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following categories:

- ◆ **Net Investment in Capital Assets** – Capital assets minus accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets plus or minus any deferred outflows of resources and deferred inflows of resources that are attributable to those assets or related debt. Any significant unspent related debt proceeds and any deferred outflows or inflows at year-end related to capital assets are not included in this calculation.

- ◆ **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

- ◆ **Unrestricted** – The net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted portion of net position. Assignments and commitments of unrestricted net position should not be reported on the face of the Statement of Net Position.

Fund balance is reported in governmental funds in the fund financial statements under the following categories:

- A. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.

- B. Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

- C. Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Board, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.

Notes to the Financial Statements
For the Year Ended September 30, 2016

- D. Assigned fund balances consist of amounts that are intended to be used by the Board for specific purposes. The Board authorized the Superintendent or Chief School Financial Officer to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- E. Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the Board to consider restricted amounts to have been reduced first. When an expenditure is incurred for the purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the Board that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

12. Minimum Fund Balance Policies

The Board recognizes that the establishment and maintenance of adequate fund reserves is necessary to avoid disruption in the educational programs in the schools. The Superintendent or Chief School Financial Officer will inform the Board, before the Board votes on a budget or budget amendment, if the approval of the budget or budget amendment will prevent the establishment or maintenance of a one-month's operating balance. A one-month's operating balance shall be determined by dividing the General Fund expenditures and fund transfers out by 12. In determining the General Fund expenditures and fund transfers out, the proposed budget or budget amendment, shall be used.

Notes to the Financial Statements

For the Year Ended September 30, 2016

Note 2 – Stewardship, Compliance, and Accountability

Budgets

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund and Special Revenue Fund with the exception of salaries and benefits, which are budgeted only to the extent expected to be paid rather than on the modified accrual basis of accounting. Additionally, the General Fund budgets ad valorem taxes only to the extent expected to be received rather than on the modified accrual basis of accounting. All other governmental funds adopt budgets on the modified accrual basis of accounting with the exception of the Capital Projects Fund, which adopts project-length budgets. All appropriations lapse at fiscal year-end.

On or before October 1 of each year, each county board of education shall prepare and submit to the State Superintendent of Education the annual budget to be adopted by the County Board of Education. The Superintendent or County Board of Education shall not approve any budget for operations of the school for any fiscal year which shall show expenditures in excess of income estimated to be available plus any balances on hand.

Note 3 – Deposits and Investments

A. Deposits

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Board will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Board's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

Notes to the Financial Statements
For the Year Ended September 30, 2016

B. Cash with Fiscal Agent

As of September 30, 2016, the Board’s cash with fiscal agent, reported as cash and cash equivalents on the financial statements, was invested as follows:

Investments	Rating	Fair Value
Fidelity Institutional Treasury Only – Class III	AAAm – S&P	\$155,134.55
Total Cash with Fiscal Agent		<u>\$155,134.55</u>

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Board does not have a formal investment policy that addresses its investment choices. However, the covenants underlying the Board’s Funding Agreements require that payments to escrow be invested only in the U. S. Government Securities.

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The Board does not have an investment policy that limits the amount of securities that can be held by counterparties.

Concentrations of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Board does not have a formal policy which places limits on the amount the Board may invest in any one issuer.

Notes to the Financial Statements
For the Year Ended September 30, 2016

Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2016, was as follows:

	Balance 10/01/2015	Additions	Retirements	Balance 09/30/2016
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 1,033,072.82	\$ 30,445.55	\$	\$ 1,063,518.37
Construction in Progress	3,000.00	352,470.79		355,470.79
Total Capital Assets Not Being Depreciated	1,036,072.82	382,916.34		1,418,989.16
Capital Assets Being Depreciated:				
Buildings	31,618,563.80		(185,782.38)	31,432,781.42
Building Improvements	9,443,062.06	2,396.73		9,445,458.79
Equipment and Furniture	2,109,796.86	143,351.31	(42,921.13)	2,210,227.04
Vehicles	5,449,580.68		(722,249.54)	4,727,331.14
Total Capital Assets Being Depreciated	48,621,003.40	145,748.04	(950,953.05)	47,815,798.39
Less Accumulated Depreciation for:				
Buildings	(11,781,767.20)	(686,464.02)	185,782.38	(12,282,448.84)
Building Improvements	(1,398,294.86)	(234,882.82)		(1,633,177.68)
Equipment and Furniture	(1,549,736.97)	(92,869.00)	35,862.79	(1,606,743.18)
Vehicles	(3,592,779.92)	(358,688.41)	722,315.79	(3,229,152.54)
Total Accumulated Depreciation	(18,322,578.95)	(1,372,904.25)	943,960.96	(18,751,522.24)
Total Capital Assets Being Depreciated, Net	30,298,424.45	(1,227,156.21)	(6,992.09)	29,064,276.15
Total Governmental Activities Capital Assets, Net	\$ 31,334,497.27	\$ (844,239.87)	\$ (6,992.09)	\$ 30,483,265.31

Depreciation expense was charged to functions/programs of the primary government as follows:

	Current Year Depreciation Expense
Governmental Activities:	
Instruction	\$ 884,764.71
Instructional Support	12,529.15
Operation and Maintenance	28,574.19
Auxiliary Services:	
Food Services	85,464.86
Student Transportation	358,240.79
General Administration and Central Support	1,730.00
Other	1,600.55
Total Depreciation Expense – Governmental Activities	\$1,372,904.25

Notes to the Financial Statements

For the Year Ended September 30, 2016

Note 5 – Defined Benefit Pension Plan

A. Plan Description

The Teachers' Retirement System of Alabama ("TRS"), a cost-sharing multiple-employer public employee retirement plan (the "Plan"), was established as of September 15, 1939, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 16-25-2, grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

B. Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status and eligibility for retirement.

Notes to the Financial Statements
For the Year Ended September 30, 2016

C. Contributions

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

Participating employers' contractually required contribution rate for the year ended September 30, 2016, was 11.94% of annual pay for Tier 1 members and 10.84% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$1,957,451.50 for the year ended September 30, 2016.

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2016, the Board reported a liability of \$27,149,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2015, the Board's proportion was 0.259413%, which was an increase of 0.006558% from its proportion measured as of September 30, 2014.

Notes to the Financial Statements
For the Year Ended September 30, 2016

For the year ended September 30, 2016, the Board recognized pension expense of \$2,118,000.00. At September 30, 2016, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$147,000.00
Net difference between projected and actual earnings on pension plan investments	1,777,000.00	
Changes in proportion and differences between Employer Contributions and proportionate share of contributions	518,000.00	343,000.00
Employer contributions subsequent to the measurement date	1,957,451.50	
Total	\$4,252,451.50	\$490,000.00

The \$1,957,451.50 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2017	\$318,000.00
2018	\$318,000.00
2019	\$318,000.00
2020	\$833,000.00
2021	\$18,000.00
Thereafter	\$

E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Investment Rate of Return (*)	8.00%
Projected Salary Increases	3.50%-8.25%
(*) Net of pension plan investment expense	

Notes to the Financial Statements

For the Year Ended September 30, 2016

The actuarial assumptions used in the actuarial valuation as of September 30, 2014, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

Mortality rates for TRS were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA projected to 2015 and set back one year for females.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	25.00%	5.00%
U. S. Large Stocks	34.00%	9.00%
U. S. Mid Stocks	8.00%	12.00%
U. S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	

(*) Includes assumed rate of inflation of 2.50%.

F. Discount Rate

The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to the Financial Statements
For the Year Ended September 30, 2016

G. Sensitivity of the Board’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Board’s proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what the Board’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
Board’s proportionate share of collective net pension liability	\$35,917,000.00	\$27,149,000.00	\$19,713,000.00

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2015. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2015. The auditor’s report dated October 17, 2016, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2015, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Note 6 – Other Postemployment Benefits (OPEB)

A. Plan Description

The Board contributes to the Alabama Retired Education Employees’ Health Care Trust (the “Trust”), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. The Trust provides health care benefits to state and local school system retirees and was established in 2007 under the provisions of Act Number 2007-16, Acts of Alabama, as an irrevocable trust fund. Responsibility for general administration and operations of the Trust is vested with the Public Education Employees’ Health Insurance Board (PEEHIB) members. The *Code of Alabama 1975*, Section 16-25A-4, provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years. The Trust issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at the Public Education Employees’ Health Insurance Plan website, <http://www.rsa-al.gov> under the Employer’s Financial Reports section.

Notes to the Financial Statements

For the Year Ended September 30, 2016

B. Funding Policy

The Public Education Employees' Health Insurance Fund (PEEHIF) was established in 1983 under the provisions of Act Number 83-455, Acts of Alabama, to provide a uniform plan of health insurance for current and retired employees of state educational institutions. The plan is administered by the PEEHIB. Any Trust assets used in paying administrative costs and retiree benefits are transferred to and paid from the PEEHIF. The PEEHIB periodically reviews the funds available in the PEEHIF and if excess funds are determined to be available, the PEEHIB authorizes a transfer of funds from the PEEHIF to the Trust. Retirees are required to contribute monthly as follows:

	Fiscal Year 2016
Individual Coverage – Non-Medicare Eligible	\$ 151.00
Individual Coverage – Medicare Eligible	\$ 10.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$ 391.00
Family Coverage – Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	\$ 250.00
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$ 250.00
Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible	\$ 109.00
Surviving Spouse – Non-Medicare Eligible	\$ 740.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$ 987.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	\$1,033.00
Surviving Spouse – Medicare Eligible	\$ 425.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	\$ 679.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	\$ 725.00

For employees that retire other than for disability on or after October 1, 2005, and before January 1, 2012, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium. Employees who retire on or after January 1, 2012, with less than 25 years of service, are required to pay 4% for each year under 25 years of service. In addition, non-Medicare eligible employees are required to pay 1% more for each year less than 65 (age premium) and to pay the net difference between the active employee subsidy and the non-Medicare eligible retiree subsidy (subsidy premium). When the retiree becomes Medicare eligible, the age and subsidy premium no longer applies, but the years of service premium (if applicable to the retiree) will continue to be applied throughout retirement. These changes are being phased in over a 5 year period. The tobacco premium is \$50.00 per month for retired members that use tobacco.

Notes to the Financial Statements
For the Year Ended September 30, 2016

The Board is required to contribute at a rate specified by the State for each active employee. The Board's share of premiums for retired Board employees health insurance is included as part of the premium for active employees. The following shows the required contributions in dollars and the percentage of that amount contributed for Board retirees:

Fiscal Year Ended September 30,	Active Health Insurance Premiums Paid By Board	Amount of Premium Attributable to Retirees	Percentage of Active Employee Premiums Attributable to Retirees	Total Amount Paid Attributable to Retirees	Percentage of Required Amount Contributed
2016	\$780.00	\$211.21	27.08%	\$1,053,435.29	100%
2015	\$780.00	\$180.76	23.17%	\$ 894,593.70	100%
2014	\$714.00	\$220.09	30.83%	\$1,081,907.32	100%

Each year the PEEHIB certifies to the Governor and to the Legislature the contribution rates based on the amount needed to fund coverage for benefits for the following fiscal year and the Legislature sets the premium rate in the annual appropriation bill. This results in a pay-as-you-go funding method.

Note 7 – Long-Term Debt

On May 1, 2007, the Board entered into a funding agreement with the Bibb County Commission to provide funds needed for capital improvements to local schools in the County. The Bibb County Commission issued Series 2007 Limited Obligation School Warrants in the amount of \$10,000,000.00 for the Bibb County Board of Education for capital improvement projects at its nine public schools located throughout the County, including the replacement of the Bibb County High School in Centreville and paying the costs of issuance of the Series 2007 Warrants.

Pursuant to this agreement, the Commission levied an additional one cent sales tax for school purposes to be enacted May 1, 2007. The Board pays principal and interest from these pledged proceeds.

On October 28, 2009, the Board, as part of a pooled bond issuance with other systems with the State of Alabama, issued Capital Improvement Pool Refunding Bonds, Series 2009-B in anticipation of their Public School Fund allocations, which are received from the Alabama Department of Education. The Alabama Department of Education withholds the required debt service payments from the Board's Public School Fund allocation. The proceeds from these bonds were used to pay the cost of refunding and retiring, on a current basis, the Board's Capital Improvement Pool Bonds, Series 1999-D, and to pay the costs of issuing the Series 2009-B Bonds.

Notes to the Financial Statements

For the Year Ended September 30, 2016

On October 28, 2009, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Bonds, Series 2009-C, for the purpose of funding capital projects. The Board's obligation is paid solely from the Board's portion of the Public School Fund allocations, which are received from the Alabama Department of Education. The Alabama Department of Education withholds the required debt service payments from the Board's Public School Fund allocation.

On December 16, 2009, the Alabama Public School and College Authority issued Capital Improvement Pool Qualified School Construction Bonds, Series 2009-D (Tax Credit Bonds), with a tax credit rate of 5.76% and interest rate of 1.865% on behalf of various Boards of Education in the State. The Board had a 2.058% participation in the bonds resulting in the Board's share of principal, issuance costs and net proceeds of \$3,002,000.00, \$26,425.36, and \$2,975,574.64, respectively. The Board is required to make sinking fund deposits of \$156,227.66 on December 15 in each year for fifteen years so that such deposits and any interest earned thereon shall be used to pay the principal of the bonds upon maturity and are pledged to pay the debt service requirements of the bonds. The sinking fund deposits and interest payments are payable from and secured by a pledge of the Board's allocable share of Public School Capital Outlay Funds.

On May 1, 2013, the Board issued School Refunding Warrants, Series 2013-A, to provide for the advanced refunding of the 2006 Funding Agreement, and to pay the expenses of issuing the School Refunding Warrants Series 2013-A.

On October 4, 2013, the Board issued Special Tax Warrants, Series 2013-B, to provide for the costs of issuing the Warrant and to provide the funds needed to refund and retire a long-term note payable issued in fiscal year 2008 for the acquisition of school buses.

On July 31, 2014, the Board issued Special Tax Warrants, Series 2014, to provide for the costs of acquiring twenty school buses for use by the Board.

On May 5, 2015, the Board, as part of a pooled bond issuance with other systems with the State of Alabama, issued Capital Improvement Pool Refunding Bonds, Series 2015-B, in anticipation of their Public School Fund allocations, which are received from the Alabama Department of Education. The Alabama Department of Education withholds the required debt service payments from the Board's Public School Fund allocation. The proceeds from these bonds were used to pay the cost of partially refunding and retiring, on a current basis, the Capital Improvement Pool Refunding Bonds, Series 2009-C, and to pay the costs of issuing the Series 2015-B Bonds. The Alabama Department of Education withholds the required debt service payments from the Board's Public School Fund allocation.

Notes to the Financial Statements

For the Year Ended September 30, 2016

On December 1, 2015, the Board entered into a funding agreement with the Bibb County Commission to advance refund the Limited Obligation School Refunding Warrants, Series 2007, and the related funding agreement. Simultaneously, the Bibb County Commission issued the Limited Obligation School Warrants, Series 2015. The principal and interest on the warrants are pledged to be paid from an additional one cent sales tax levied by the Bibb County Commission in 2007.

The following is a summary of long-term debt transactions for the Board for the year ended September 30, 2016:

	Debt Outstanding 10/01/2015	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2016	Amounts Due Within One Year
Governmental Activities:					
Bonds/Warrants Payable:					
Capital Improvement Pool Bonds:					
Series 2009-C	\$ 144,765.60	\$	\$ (34,121.72)	\$ 110,643.88	\$ 35,464.22
PSCA Capital Improvement Pool Refunding Bonds:					
Series 2009-B	1,021,574.26		(236,377.99)	785,196.27	248,276.78
Series 2015-B	478,948.48			478,948.48	
Capital Outlay Pool Warrants:					
Series 2009-D	3,002,000.00			3,002,000.00	
School Refunding Warrants:					
Series 2013-A	3,970,000.00		(140,000.00)	3,830,000.00	145,000.00
Special Tax School Warrants:					
Series 2013-B	624,878.71		(221,265.82)	403,612.89	227,547.37
Series 2014	1,436,224.07		(151,357.92)	1,284,866.15	150,295.74
Deferred Amounts:					
Unamortized Premiums	65,099.63	4,906.55	(19,390.72)	50,615.46	14,484.17
Total Bonds/Warrants Payable	10,693,099.11	4,906.55	(798,194.89)	9,899,810.77	816,749.00
Other Liabilities:					
2007 Funding Agreement	6,925,000.00		(6,925,000.00)		
2015 Funding Agreement		6,675,000.00	(100,000.00)	6,575,000.00	590,000.00
Compensated Absences	152,043.67	30,871.46		182,915.13	18,291.51
Net Pension Liability	22,971,000.00	4,178,000.00		27,149,000.00	
Total Other Liabilities	30,048,043.67	10,883,871.46	(7,025,000.00)	33,906,915.13	608,291.51
Total Governmental Activities Long-Term Liabilities	\$40,741,142.78	\$10,888,778.01	\$(7,823,194.89)	\$43,806,725.90	\$1,425,040.51

Payments on the Capital Improvement Pool Bonds, Series 2009-C, the Capital Improvement Pool Refunding Bonds, Series 2009-B, the Capital Improvement Pool Refunding Bonds, Series 2015-B, and the Qualified School Construction Bonds, Series 2009-D are made by the Debt Service Fund with Public School funds withheld from the Board's allocation from the Alabama Department of Education. The School Refunding Warrants, Series 2013-A, and the 2015 Funding Agreement are being paid from local sales tax revenues. Payments on the 2013-B warrants and 2014 warrants are made with Fleet Renewal funds. The compensated absences liability will be liquidated by the General Fund.

Notes to the Financial Statements
For the Year Ended September 30, 2016

The following is a schedule of debt service requirements to maturity:

Fiscal Year Ending	Bonds/Warrants Payable		Funding Agreement Payable		Total Principal and Interest Requirements to Maturity
	Principal	Interest	Principal	Interest	
September 30, 2017	\$ 806,584.11	\$ 263,146.79	\$ 590,000.00	\$140,677.50	\$ 1,800,408.40
2018	777,787.13	236,494.96	605,000.00	128,877.50	1,748,159.59
2019	643,909.58	213,124.20	615,000.00	116,777.50	1,588,811.28
2020	351,238.09	189,731.83	630,000.00	104,477.50	1,275,447.42
2021	362,341.30	180,530.84	645,000.00	91,877.50	1,279,749.64
2022-2026	4,564,682.41	722,319.66	3,445,000.00	252,307.50	8,984,309.57
2027-2031	1,068,725.05	299,349.87	45,000.00	1,237.50	1,414,312.42
2032-2036	1,080,000.00	136,067.50			1,216,067.50
2037-2039	240,000.00	4,200.00			244,200.00
Totals	\$9,895,267.67	\$2,244,965.65	\$6,575,000.00	\$836,232.50	\$19,551,465.82

Discounts, Premiums, and Deferred Amounts on Refunding

The Board has discounts in connection with the 2007 Funding Agreement, which are being amortized using the straight-line method over a period of twenty years.

The Board has a premium and deferred amounts on refunding in connection with the issuance of its PSCA Capital Improvement Pool Refunding Bonds, Series 2009-B. The deferred amounts on refunding and premium are being amortized using the straight-line method over a period of nine years and seven months.

The Board has a premium in connection with issuance of its PSCA Capital Improvement Pool Bonds, Series 2009-C. The premium is being amortized using the straight-line method over a period of nineteen years and seven months.

Notes to the Financial Statements

For the Year Ended September 30, 2016

The Board had a premium and deferred amounts on refunding in connection with the issuance of the Limited Obligation School Refunding Warrants, Series 2015. These amounts were expensed in the current year.

	Deferred Amounts on Refunding	Discounts	Premiums
Total Deferred Charges on Refunding, Discounts, and Premiums	\$ 191,250.21	\$ 86,385.65	\$ 155,704.19
Amount Amortized Prior Years	(37,541.60)	(35,994.01)	(85,698.01)
Balance Deferred Charges on Refunding, Discounts, and Premiums	153,708.61	50,391.64	70,006.18
Current Amount Amortized	(136,788.48)	(4,319.28)	(19,390.72)
Balance Deferred Charges on Refunding, Discounts, and Premiums	<u>\$ 16,920.13</u>	<u>\$ 46,072.36</u>	<u>\$ 50,615.46</u>

Pledged Revenues

On October 28, 2009, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued PSCA Capital Improvement Pool Bonds, Series 2009-B, in anticipation of their Public School Fund Allocations, which are received from the Alabama Department of Education. The proceeds were used to refund, on a current basis, the Board's Series 1999-D Capital Improvement Pool Bonds. Future revenues in the amount of \$865,109.01 are pledged to repay the remaining principal and interest on the bonds at September 30, 2016. Proceeds of the Public School Fund allocation in the amount \$925,338.00 were received by the Board during the fiscal year ended September 30, 2016. Pledged funds in the amount of \$287,456.71 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2016. This represents 31 percent of the pledged funds received by the Board. The Capital Improvement Pool Bonds, Series 2009-B will mature in fiscal year 2019.

On October 28, 2009, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued PSCA Capital Improvement Pool Bonds, Series 2009-C, in anticipation of their Public School Fund Allocations, which are received from the Alabama Department of Education. The proceeds are to be used for the acquisition, construction and renovation of school facilities. Future revenues in the amount of \$119,611.74 are pledged to repay the remaining principal and interest on the bonds at September 30, 2016. Proceeds of the Public School Fund allocation in the amount of \$925,338.00 were received by the Board during the fiscal year ended September 30, 2016. Pledged funds in the amount of \$39,912.34 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2016. This represents 4 percent of the pledged funds received by the Board. The Capital Improvement Pool Bonds, Series 2009-C, will mature in fiscal year 2019.

Notes to the Financial Statements

For the Year Ended September 30, 2016

On December 16, 2009, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Qualified School Construction Bonds, Series 2009-D, in anticipation of their Public School Fund Allocations, which are received from the Alabama Department of Education. The proceeds are to be used for the acquisition, construction and renovation of school facilities. Future revenues in the amount of \$3,519,882.71 are pledged to repay the remaining principal and interest on the bonds at September 30, 2016. Proceeds of the Public School Fund allocation in the amount \$925,338.00 were received by the Board during the fiscal year ended. Pledged funds in the amount of \$55,987.32 were used to pay interest on the bonds during the fiscal year ended September 30, 2016. This represents 6 percent of the pledged funds received by the Board. The Capital Improvement Pool Qualified School Construction Bonds, Series 2009-D, will mature in fiscal year 2026.

On May 1, 2013, the Board, entered into the Series 2013-A School Refunding Warrants for the refunding of the Series 2006 Limited Obligation Warrants. The Board pledged to repay the refunding warrants from the proceeds of special 2 cent sales tax levied by the Bibb County Commission pursuant to provisions of Act Number 17, Acts of Alabama 1957, as amended by Act Number 139, Acts of Alabama 1963, Act Number 584, Acts of Alabama 1967, and Act Number 181, Acts of Alabama 181, Acts of Alabama 1976, of which the Board received 50% of the proceeds. Future revenues of \$5,132,751.25 are pledged to repay the remaining principal and interest on the warrants at September 30, 2016. Proceeds of the additional sales tax in the amount of \$1,323,309.29 were received by the Board during the fiscal year ended September 30, 2016. Pledged funds in the amount of \$244,232.50 were used to pay interest on the bonds during the fiscal year ended September 30, 2016. The Series 2013-A School Refunding Warrants will mature in fiscal year 2038.

On October 4, 2013, the Board, entered into the Series 2013-B Special Tax School Warrants for the cost of issuing the Warrant and to provide the funds needed to retire a long-term note payable issued in fiscal year 2008 for the acquisition of school buses. The Board pledged to repay the warrants from the proceeds of the special 2 cent sales tax levied by the Bibb County Commission pursuant to provisions of the *Code of Alabama 1975*, Section 40-12-4, of which the Board receives 50% of the proceeds. Future revenues of \$413,489.46 are pledged to repay the remaining principal and interest on the warrants at September 30, 2016. Proceeds of the additional sales tax in the amount of \$1,323,309.29 were received by the Board during the fiscal year ended September 30, 2016. However, pledged funds were not used to pay principal and interest on the warrants. The principal and interest payments were made from Fleet Renewal allocation received from the Alabama State Department of Education. The Series 2013-B Special Tax School Warrants will mature in fiscal year 2018.

Notes to the Financial Statements

For the Year Ended September 30, 2016

On July 31, 2014, the Board, entered into the Series 2014 Special Tax School Warrants to provide for the cost of acquiring twenty school buses for use by the Board. The Board pledged to repay the warrants from the proceeds of the special 2 cent sales tax levied by the Bibb County Commission pursuant to provisions of the *Code of Alabama 1975*, Section 40-12-4, of which the Board receives 50% of the proceeds. Future revenues of \$1,417,496.63 are pledged to repay the remaining principal and interest on the warrants at September 30, 2016. Proceeds of the additional sales tax in the amount of \$1,323,309.29 were received by the Board during the fiscal year ended September 30, 2016. Pledged funds in the amount of \$103,771.16 were used to pay a portion of principal and interest on the bonds during the fiscal year ended September 30, 2016. The remaining principal and interest payments were made using the Fleet Renewal allocation received from the Alabama State Department of Education. The Series 2014 Special Tax Warrants will mature in fiscal year 2024.

On May 5, 2015, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued PSCA Capital Improvement Pool Bonds, Series 2015-B in anticipation of their Public School Fund Allocations, which are received from the Alabama Department of Education. The proceeds were used to partially refund, on a current basis, the Board's Series 2009-C Capital Improvement Pool Bonds. Future revenues in the amount of \$671,892.52 are pledged to repay the remaining principal and interest on the bonds at September 30, 2016. Proceeds of the Public School Fund allocation in the amount \$925,338 were received by the Board during the fiscal year ended September 30, 2016. Pledged funds in the amount of \$23,166.98 were used to pay interest on the bonds during the fiscal year ended September 30, 2016. The Capital Improvement Pool Bonds, Series 2015-B will mature in fiscal year 2029.

On December 1, 2015, the Bibb County Commission issued the Limited Obligation School Warrants, Series 2015, for the purpose of advance refunding the Limited Obligation School Warrants, Series 2007, and paying the costs of issuance of the Series 2015 Warrants. The 2015 Warrants are pledged to be paid from the proceeds of an additional 1 cent sales tax levied by the Bibb County Commission pursuant to provisions of the *Code of Alabama 1975*, Section 40-12-4. Future revenues of \$7,411,232.50 are pledged to repay the principal and interest on the warrants at September 30, 2016. Proceeds of the additional sales tax in the amount of \$1,083,119.95 were received by the Board during the fiscal year ended September 30, 2016, of which \$153,107.73 was used to pay interest on the warrants. The Limited Obligation School Refunding Warrants, Series 2015, will mature in fiscal year 2027.

Notes to the Financial Statements

For the Year Ended September 30, 2016

Defeased Debt

On December 1, 2015, the Bibb County Commission, on behalf of the Board, issued \$6,675,000.00 in Limited Obligation School Refunding Warrants, Series 2015, with interest rates ranging from 2.00% to 2.75% to refund \$6,925,000.00 of outstanding Limited Obligation School Warrants, Series 2007 (2007 Funding Agreement), with interest rates ranging from 3.60% to 4.10%. The net proceeds of \$7,055,443.42 (net proceeds from the debt issuance plus \$535,626.83 contributed by the Board and a premium of \$4,906.55 and payment of \$160,089.96 in underwriting fees and other issuance costs) were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old warrants. As a result, the 2007 Warrants are considered to be defeased and the liabilities for these warrants have been removed.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$130,443.42, which was expensed in the current year. As a result of the advance refunding, the Board decreased its total debt service requirements by \$635,808.93, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$39,029.40.

Note 8 – Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has insurance for its buildings and contents through the State Insurance Fund (SIF) part of the State of Alabama, Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for state owned properties and county boards of education. The Board pays an annual premium based on the amount of coverage requested. The SIF is self-insured up to \$3.5 million per occurrence and purchases commercial insurance for claims in excess of \$3.5 million. Automobile liability insurance and errors and omissions insurance is purchased from the Alabama Trust for Boards of Education (ATBE) a public entity risk pool. The ATBE collects the premiums and purchases excess insurance for any amount of coverage requested by pool participants in excess of the coverage provided by the pool. Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF), administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes a specified amount monthly to the PEEHIF for each employee of state educational institutions. The Board's contribution is applied against the employees' premiums for the coverage selected and the employee pays any remaining premium.

Notes to the Financial Statements
For the Year Ended September 30, 2016

Settled claims resulting from these risks have not exceeded the Board's coverage in any of the past three fiscal years.

The Board does not have insurance coverage of job-related injuries. Board employees who are injured while on the job are entitled to salary and fringe benefits of up to ninety working days in accordance with the *Code of Alabama 1975*, Section 16-1-18.1(d). Any unreimbursed medical expenses and costs which the employee incurs as a result of an on-the-job injury may be filed for reimbursement with the State Board of Adjustment.

Note 9 – Interfund Transactions

Interfund Receivables and Payables

The interfund receivables and payables at September 30, 2016, were as follows:

	<u>Interfund Receivables</u>		Totals
	General Fund	Special Revenue Fund	
<u>Interfund Payables:</u>			
General Fund	\$	\$5,235.02	\$ 5,235.02
Special Revenue Fund	314,829.03		314,829.03
Other Governmental Funds	210,675.00		210,675.00
Totals	<u>\$ 525,504.03</u>	<u>\$5,235.02</u>	<u>\$530,739.05</u>

Notes to the Financial Statements
For the Year Ended September 30, 2016

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2016, were as follows:

	Transfers Out				Totals
	General Fund	Special Revenue Fund	Debt Service Fund	Other Governmental Funds	
<u>Transfers In</u>					
General Fund	\$	\$139,815.93	\$149,386.78	\$155,595.03	\$ 444,797.74
Special Revenue Fund	626,201.04				626,201.04
Debt Service Fund				247,465.86	247,465.86
Other Governmental Funds	103,771.16				103,771.16
Totals	<u>\$729,972.20</u>	<u>\$139,815.93</u>	<u>\$149,386.78</u>	<u>\$403,060.89</u>	<u>\$1,422,235.80</u>

The Board typically used transfers to fund ongoing operating subsidies, to recoup certain expenditures paid on-behalf of the local schools, and to transfer the portion from the General Fund to the Debt Service Fund to service current-year debt requirements.

Note 10 – Subsequent Event

The Board issued the Special Tax School Warrant, Series 2016, dated November 16, 2016, in the amount of \$418,585.45. The Warrant was issued to finance the acquisition of five school buses for the Board.

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Required Supplementary Information

***Schedule of the Employer's Proportionate Share of the
Net Pension Liability
For the Year Ended September 30, 2016
(Dollar amounts in thousands)***

	2016	2015
Employer's proportion of the net pension liability	0.259413%	0.252855%
Employer's proportionate share of the net pension liability	\$ 27,149	\$ 22,971
Employer's covered-employee payroll during the measurement period (*)	\$ 16,389	\$ 16,026
Employer's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	165.05%	143.34%
Plan fiduciary net position as a percentage of the total collective pension liability	67.51%	71.01%

(*) Employer's covered-employee payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For fiscal year 2016, the measurement period is October 1, 2014 - September 30, 2015.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of the Employer's Contributions
For the Year Ended September 30, 2016
(Dollar amounts in thousands)***

	2016	2015
Contractually required contribution	\$ 1,957	\$ 1,914
Contributions in relation to the contractually required contribution	<u>\$ 1,957</u>	<u>\$ 1,914</u>
Contribution deficiency (excess)	\$	\$
Employer's covered-employee payroll	\$ 16,517	\$ 16,389
Contributions as a percentage of covered-employee payroll	11.85%	11.68%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2016***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
State	\$ 20,463,544.00	\$ 20,516,985.60	\$ 20,603,535.84
Federal	27,200.00	27,200.00	284,219.91
Local	3,910,330.00	3,252,755.71	3,151,750.19
Other	31,600.00	31,600.00	34,254.69
Total Revenues	<u>24,432,674.00</u>	<u>23,828,541.31</u>	<u>24,073,760.63</u>
Expenditures			
Current:			
Instruction	13,738,154.18	13,682,771.66	14,233,229.38
Instructional Support	4,096,858.24	4,177,586.21	4,255,521.82
Operation and Maintenance	1,385,095.31	1,735,366.52	1,990,049.41
Auxiliary Services:			
Student Transportation	1,923,201.01	1,923,279.01	1,915,731.12
General Administrative	1,031,712.98	1,171,482.86	1,329,359.02
Other	641,533.39	638,073.96	746,161.55
Capital Outlay			13,215.96
Total Expenditures	<u>22,816,555.11</u>	<u>23,328,560.22</u>	<u>24,483,268.26</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,616,118.89</u>	<u>499,981.09</u>	<u>(409,507.63)</u>
Other Financing Sources (Uses)			
Indirect Cost	273,255.00	240,886.00	229,399.17
Transfers In	72,696.20	147,622.00	444,797.74
Other Financing Sources		3,300.00	6,052.38
Sale of Capital Assets			56,671.00
Transfers Out	(1,599,265.17)	(919,973.12)	(729,972.20)
Total Other Financing Sources (Uses)	<u>(1,253,313.97)</u>	<u>(528,165.12)</u>	<u>6,948.09</u>
Net Change in Fund Balances	362,804.92	(28,184.03)	(402,559.54)
Fund Balances - Beginning of Year	<u>4,013,480.99</u>	<u>3,734,137.42</u>	<u>3,734,137.42</u>
Fund Balances - End of Year	<u>\$ 4,376,285.91</u>	<u>\$ 3,705,953.39</u>	<u>\$ 3,331,577.88</u>

Explanation of differences:

The Board budgets revenues and expenditures to the extent they are expected to be received or paid in the current fiscal period, rather than on the modified accrual basis.

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 20,603,535.84
	284,219.91
(5,629.61)	3,146,120.58
	34,254.69
<u>(5,629.61)</u>	<u>24,068,131.02</u>
5,791.08	14,239,020.46
6,528.17	4,262,049.99
(3,009.06)	1,987,040.35
(8,022.94)	1,907,708.18
612.99	1,329,972.01
30,858.42	777,019.97
	13,215.96
<u>32,758.66</u>	<u>24,516,026.92</u>
<u>(38,388.27)</u>	<u>(447,895.90)</u>
	229,399.17
	444,797.74
	6,052.38
	56,671.00
	<u>(729,972.20)</u>
	6,948.09
(38,388.27)	(440,947.81)
<u>(2,304,633.42)</u>	<u>1,429,504.00</u>
<u>\$ (2,343,021.69)</u>	<u>\$ 988,556.19</u>
<u>\$ (38,388.27)</u>	

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2016***

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<u>Revenues</u>			
State	\$	\$ 1,500.00	\$ 1,500.00
Federal	3,369,891.00	3,481,351.40	3,429,578.90
Local	1,971,315.88	2,459,408.65	2,331,305.33
Other	56,000.00	56,000.00	129,063.40
Total Revenues	<u>5,397,206.88</u>	<u>5,998,260.05</u>	<u>5,891,447.63</u>
<u>Expenditures</u>			
Current:			
Instruction	1,677,473.98	1,818,697.06	1,687,603.21
Instructional Support	817,372.11	1,036,099.30	882,890.64
Operation and Maintenance	157,546.00	254,741.33	203,389.56
Auxiliary Services:			
Student Transportation	29,463.00	36,801.20	30,828.87
Food Service	2,673,297.49	2,664,024.49	2,553,497.02
General Administrative	252,066.75	239,022.05	289,898.45
Other	487,174.72	644,732.13	610,414.17
Capital Outlay			130,135.35
Total Expenditures	<u>6,094,394.05</u>	<u>6,694,117.56</u>	<u>6,388,657.27</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(697,187.17)</u>	<u>(695,857.51)</u>	<u>(497,209.64)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	853,391.17	936,012.63	626,201.04
Other Financing Sources		110.00	1,094.55
Transfers Out	(192,786.20)	(452,971.22)	(139,815.93)
Total Other Financing Sources (Uses)	<u>660,604.97</u>	<u>483,151.41</u>	<u>487,479.66</u>
Net Change in Fund Balances	(36,582.20)	(212,706.10)	(9,729.98)
Fund Balances - Beginning of Year	<u>2,112,147.87</u>	<u>2,406,799.30</u>	<u>2,406,799.30</u>
Fund Balances - End of Year	<u>\$ 2,075,565.67</u>	<u>\$ 2,194,093.20</u>	<u>\$ 2,397,069.32</u>

Explanation of differences:

The Board budgets revenues and expenditures to the extent they are expected to be received or paid in the current fiscal period, rather than on the modified accrual basis.

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 1,500.00
	3,429,578.90
	2,331,305.33
	129,063.40
	<u>5,891,447.63</u>
	1,687,603.21
	882,890.64
	203,389.56
	30,828.87
5,293.33	2,558,790.35
	289,898.45
	610,414.17
	130,135.35
<u>5,293.33</u>	<u>6,393,950.60</u>
<u>(5,293.33)</u>	<u>(502,502.97)</u>
	626,201.04
	1,094.55
	(139,815.93)
	<u>487,479.66</u>
(5,293.33)	(15,023.31)
<u>(117,425.56)</u>	<u>2,289,373.74</u>
<u>\$ (122,718.89)</u>	<u>\$ 2,274,350.43</u>

\$ (5,293.33)

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Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2016***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>U. S. Department of Agriculture</u>		
<u>Passed Through Alabama Department of Education</u>		
Child Nutrition Cluster:		
School Breakfast Program - Cash Assistance	10.553	N.A.
National School Lunch Program:		
Cash Assistance	10.555	N.A.
Non-Cash Assistance (Commodities)	10.555	N.A.
Sub-Total National School Lunch Program		
Total Child Nutrition Cluster		
State Administrative Expenses for Child Nutrition	10.560	N.A.
<u>Passed Through Bibb County Commission</u>		
Schools and Roads - Grants to States	10.665	N.A.
Total U. S. Department of Agriculture		
<u>U. S. Department of Interior</u>		
<u>Passed Through Bibb County Commission</u>		
National Wildlife Refuge Fund	15.659	N.A.
Total U. S. Department of Interior		
<u>U. S. Department of Education</u>		
<u>Passed Through Alabama Department of Education</u>		
Special Education Cluster:		
Special Education - Grants to States	84.027	N.A.
Special Education - Preschool Grants	84.173	N.A.
Sub-Total Special Education Cluster (M)		
Title I Grants to Local Educational Agencies (M)	84.010	N.A.
Career and Technical Education - Basic Grants to States	84.048	N.A.
Twenty-First Century Community Learning Centers	84.287	N.A.
Education Research, Development and Dissemination	84.305	N.A.
Advanced Placement Program	84.330	N.A.
Improving Teacher Quality State Grants	84.367	N.A.
Total U. S. Department of Education		
<u>U. S. Department of Health and Human Services</u>		
<u>Passed Through Alabama Department of Education</u>		
Child Care and Development Block Grant	93.575	N.A.
Total U. S. Department of Health and Human Services		
Sub-Total Forward		

Pass-Through to Subrecipients	Total Federal Expenditures
N.A.	\$ 304,100.94
N.A.	995,322.90
N.A.	<u>118,397.99</u>
	<u>1,113,720.89</u>
	1,417,821.83
N.A.	5,185.80
N.A.	<u>134,823.48</u>
	<u>1,557,831.11</u>
N.A.	<u>4,221.37</u>
	<u>4,221.37</u>
N.A.	818,109.16
N.A.	<u>24,860.00</u>
	842,969.16
N.A.	855,478.67
N.A.	65,659.00
N.A.	165,000.00
N.A.	2,500.00
N.A.	2,290.00
N.A.	<u>194,669.50</u>
	<u>2,128,566.33</u>
N.A.	<u>21,600.00</u>
	<u>21,600.00</u>
	\$ 3,712,218.81

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2016***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>Social Security Administration</u>		
<u>Passed Through Alabama Department of Education</u>		
Social Security - Disability Insurance	96.001	N.A.
Total Social Security Administration		
<u>U. S. Department of Homeland Security</u>		
<u>Passed Through Alabama Emergency Management Agency</u>		
Hazard Mitigation Grant	97.039	N.A.
Total U. S. Department of Homeland Security		
Total Expenditures of Federal Awards		

(M) = Major Program

N.A. = Not Available or Not Applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.



<u>Pass-Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
	\$ 3,712,218.81
N.A.	<u>1,580.00</u>
	<u>1,580.00</u>
N.A.	<u>210,675.00</u>
	<u>210,675.00</u>
	<u>\$ 3,924,473.81</u>

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2016***

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the Bibb County Board of Education and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Bibb County Board of Education, it is not intended to and does not present the financial position or changes in net position of the Bibb County Board of Education.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance* wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Bibb County Board of Education has not elected to use the 10-percent de minimis indirect cost rate as allowed in the *Uniform Guidance*.

Additional Information

Board Members and Administrative Personnel
October 1, 2015 through September 30, 2016

<u>Board Members</u>		<u>Term Expires</u>
Hon. Mike Oakley	President	2016
Hon. Mike McMillan	Vice-President	2018
Hon. Morris Moody	Member	2021
Hon. Billie Dailey	Member	2016
Hon. Elaine Stoudemire Jones	Member	2018
<u>Administrative Personnel</u>		
Hon. Terry D. McGee	Superintendent	2018
Bradley Colburn	Chief School Financial Officer	2016

***Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards***

Independent Auditor's Report

To: Members of the Bibb County Board of Education, Superintendent, and Chief School Financial Officer

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bibb County Board of Education, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Bibb County Board of Education's basic financial statements, and have issued our report thereon dated May 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bibb County Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bibb County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bibb County Board of Education's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

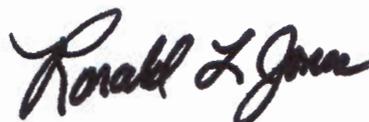
***Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bibb County Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

May 30, 2017

***Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required
by the Uniform Guidance***

Independent Auditor's Report

To: Members of the Bibb County Board of Education, Superintendent, and Chief School Financial Officer

Report on Compliance for Each Major Federal Program

We have audited the Bibb County Board of Education's compliance with the types of compliance requirements described in the ***OMB Compliance Supplement*** that could have a direct and material effect on each of the Bibb County Board of Education's major federal programs for the year ended September 30, 2016. The Bibb County Board of Education's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with each of the Bibb County Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)***. Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Bibb County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Bibb County Board of Education's compliance.

***Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required
by the Uniform Guidance***

Opinion on Each Major Federal Program

In our opinion, the Bibb County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

Report on Internal Control Over Compliance

Management of the Bibb County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Bibb County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Bibb County Board of Education's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required
by the Uniform Guidance***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

May 30, 2017

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2016

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unmodified
 Internal control over financial reporting:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified? _____ Yes X None reported
 Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified? _____ Yes X None reported
 Type of auditor's report issued on compliance for major programs: Unmodified
 Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the *Uniform Guidance*? _____ Yes X No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.027 and 84.173 84.010	Special Education Cluster Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.00
 Auditee qualified as low-risk auditee? _____ Yes X No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2016

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
		No matters were reportable.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			No matters were reportable.	